



YELLOWKNIFE MINES LIMITED

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## REVIEW IN BRIEF

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	1978	1977
<b>PRODUCTION</b>		
Ore milled, tons	396,657	446,192
Grade of mill feed, ounces per ton	0.271	0.271
Gold recovered, ounces	95,413	106,143
<b>FINANCIAL</b>		
Gross value of production	\$22,362,000	\$17,496,000
Operating income	6,220,000	4,391,000
Exploration expenditures	660,000	341,000
Income taxes	1,532,000	838,000
Net income	3,731,000	2,451,000
Earnings per share	0.87	0.57
Dividends paid per share	0.50	0.15
Net capital additions	421,000	578,000
Working capital at end of year	10,754,000	8,838,000
Average price received per oz. of gold	\$233.00	\$164.00

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### ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

Tuesday, April 10, 1979 at 11:00 a.m. (E.S.T.)

Casson Room, Hotel Toronto

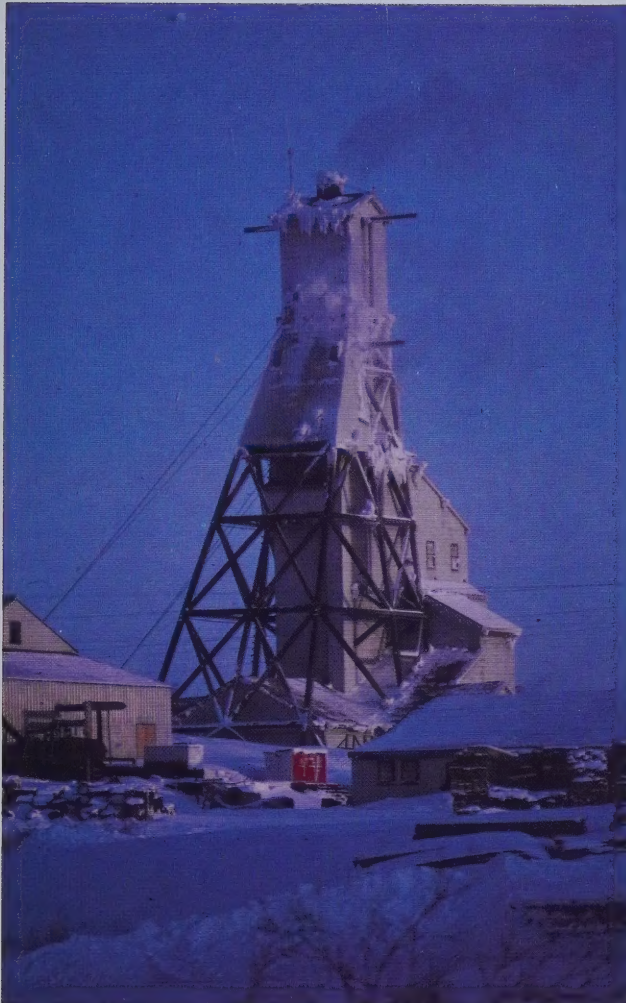
Toronto, Canada



# Giant

YELLOWKNIFE MINES LIMITED

## 36th Annual Report



*C Shaft Head Frame*



*Giant Mine Rescue Team  
1978 Competition*



*Open Pit*



*Drill Jumbo*



Head Office: P.O. Box 40, Commerce Court West, Toronto  
Mine Office: Yellowknife, N.W.T.

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## DIRECTORS

A. J. ANDERSON  
Consulting Mining Engineer

C. R. ARCHIBALD  
Partner, Law Firm of  
Strathy, Archibald & Seagram

\*A. C. CALLOW<sup>1</sup>

D. J. EMERY  
President and Managing Director  
of the Corporation

E. L. HEALY  
President, Mine-Met Consultants  
of Canada Limited

W. F. JAMES  
Partner, James & Buffam,  
Consulting Geologists

J. D. KRANE<sup>2</sup>  
Vice-President Corporate Affairs  
and Secretary,  
Falconbridge Nickel Mines Limited

G. P. MITCHELL  
Vice-President of the Corporation and  
Group Vice-President,  
Falconbridge Nickel Mines Limited

\*P. L. MUNRO  
President and Managing Director,  
United Keno Hill Mines Limited

\*J. D. STREIT  
Geologist, President,  
Yellowknife Bear Mines Ltd.

\* Members of the Audit Committee

<sup>1</sup> Deceased, January 14, 1979.

<sup>2</sup> Appointed to Board February 26, 1979.

## OFFICERS

D. J. EMERY  
President and Managing Director  
of the Corporation

G. P. MITCHELL  
Vice-President of the Corporation  
and Group Vice-President,  
Falconbridge Nickel Mines Limited

W. R. ROBERTSON  
Secretary of the Corporation and  
other Companies associated with  
Falconbridge Nickel Mines Limited

N. H. WITHERELL  
Treasurer of the Corporation and  
Treasurer,  
Falconbridge Nickel Mines Limited

W. F. AVERY  
Controller of the Corporation and  
other Companies associated with  
Falconbridge Nickel Mines Limited

## CONSULTANTS

F. G. T. PICKARD, Metallurgical

L. A. WRIGGLESWORTH, Geological

W. B. G. WALKER, Geological

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## TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY  
302 Bay Street, Toronto, Ontario M5H 2P4

REGISTRAR AND TRANSFER COMPANY  
140 Cedar Street, New York, N.Y. 10006

## BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE  
Toronto, Ontario

## AUDITORS

THORNE RIDDELL & CO.  
Toronto, Ontario

## SOLICITORS

STRATHY, ARCHIBALD & SEAGRAM  
Toronto, Ontario

## LISTED

Toronto Stock Exchange  
American Stock Exchange

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## REPORT OF THE DIRECTORS

To the Shareholders:

A sharp increase in gold price during 1978 offset increased costs and boosted gross revenues from \$17,496,000\* in 1977 to an all-time high of \$22,362,000 despite lower production levels and bullion output. The average price received for gold rose from \$164 per ounce in 1977 to \$233 in 1978. Net earnings were \$3,731,000 or 87 cents per share, up from the \$2,451,000 or 57 cents per share in 1977. Dividends of 50 cents per share were paid in 1978 compared with 15 cents in the previous year.

Throughout the year your Corporation carried on mining operations at its property located at Yellowknife in the Northwest Territories of Canada. This included the mining and treatment of ores from properties of its subsidiaries, Lolor Mines Limited and Supercrest Mines Limited, owned 87.5% and 50% respectively. In addition, the Corporation carried out exploration programs on outside properties, with most of the emphasis being on the search for gold and uranium.

Production from Giant and its subsidiaries fell to 397,000 tons from a record 446,000 in 1977 and gold bullion output declined from 106,143 to 95,413 ounces. A large part of the drop was due to a planned shut-down of one week for repairs to the roaster stack, and another week at half production because of a classifier breakdown. Additional contributing factors were mechanical problems with other equipment and power outages. The open pits provided 27% of the total mill feed versus 41% in 1977, reflecting a scheduled reduction to provide a more balanced utilization of open-pit and underground ore reserves.

Grade of ore at 0.271 ounce of gold per ton was the same as in 1977. Treatment plant recovery of 88.75% was improved over the 87.73% of 1977 and emissions from the roaster were successfully reduced.

Operations and financial information on a comparative basis for the past five years are shown in the attached tables in addition to a comparative statement of production and earnings since the start of mining in 1948. These tables illustrate the importance of the price of gold, not only in determining the level of earnings for the Corporation, but in establishing ore reserves and mine life.

### ORE RESERVES

Ore reserve estimates are compiled at the end of each year using the then prevailing price of gold and anticipated operating costs.

After mining 397,000 tons in 1978, ore reserves at December 31, 1978 were 1,216,000 tons at 0.27 ounce gold per ton compared with 1,004,000 tons at 0.34 ounce gold per ton at December 31, 1977. Most of the new tonnage represents additions of low grade to existing ore bodies as a result of the higher gold price — with the exception of 100,000 tons of low grade ore near C shaft that will be mined by open-pit methods. Reserves added by diamond drilling totalled 144,000 tons. The higher price is serving as an incentive to launch new drill programs in previously abandoned areas of the mine.

Exploration for new ore continued at depth and at the north end of the property including Supercrest and Northbelt. At depth, two long holes were completed from the 2,000-foot level but did

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\* All amounts are expressed in Canadian currency except as otherwise designated.

## OPERATIONS AND FINANCIAL SUMMARY

	1978	1977	1976	1975	1974
<b>Giant</b>					
Ore milled, tons .....	364,945	393,178	393,730	341,761	254,918
Gold recovered, ounces .....	85,049	87,755	93,378	81,246	71,095
<b>Lolor</b>					
Ore milled, tons .....	10,553	7,663	5,877	18,338	25,460
Gold recovered, ounces .....	3,028	2,116	1,352	4,270	6,367
(87½ per cent owned by Giant Yellowknife Mines Limited)					
<b>Supercrest</b>					
Ore milled, tons .....	21,159	45,351	28,547	31,870	47,721
Gold recovered, ounces .....	7,336	16,272	11,984	12,921	24,052
(50 per cent owned by Giant Yellowknife Mines Limited)					
<b>Consolidated</b>					
Ore milled, tons .....	396,657	446,192	428,154	391,969	328,099
Average tons per day .....	1,087	1,222	1,173	1,074	899
Calculated millheads .....	0.27	0.27	0.28	0.29	0.36
(oz. gold per ton)					
Mill recovery, per cent .....	88.75	87.73	88.21	87.76	87.18
Total recovery					
Gold, ounces .....	95,413	106,143	106,714	98,437	101,514
Silver, ounces .....	24,778	22,809	25,157	21,473	21,378
<b>Consolidated Financial Summary</b>					
Net value of production .....	\$22,183,000	\$17,299,000	\$12,991,000	\$15,378,000	\$16,382,000
Operating and administrative costs ...	15,963,000	12,908,000	12,184,000	13,059,000	11,121,000
Operating income before the					
underrated items .....	6,220,000	4,391,000	807,000	2,319,000	5,261,000
Depreciation, depletion and					
amortization .....	724,000	888,000	711,000	813,000	135,000
Exploration expenses .....	660,000	341,000	522,000	1,237,000	673,000
Operating profit .....	4,836,000	3,162,000	(426,000)	269,000	4,453,000
Income from investments .....	(627,000)	(468,000)	(433,000)	(690,000)	(847,000)
Income taxes .....	1,532,000	838,000	99,000	394,000	1,735,000
Minority interest .....	200,000	341,000	94,000	260,000	786,000
Net income (loss) .....	\$ 3,731,000	\$ 2,451,000	\$ (186,000)	\$ 305,000	\$ 2,779,000
Earnings (loss) per share .....	.87	.57	(.04)	.07	.65
Dividends paid per share .....	.50	.15	.10	.40	.50
Working capital .....	\$10,754,000	\$ 8,838,000	\$ 6,527,000	\$ 7,803,000	\$10,308,000
Average price per ounce of gold .....	233	164	122	157	162
Operating and administrative					
costs per ton .....	\$ 40.24	\$ 28.93	\$ 28.46	\$ 33.32	\$ 33.90

## TABLES SHOWING YEAR END ESTIMATES OF ORE RESERVES (000 tons)

	1978		1977		1976		1975		1974		1973	
	Tons	Grade Oz. Gold Per ton	Tons	Grade Oz. Gold per ton	Tons	Grade Oz. Gold per ton	Tons	Grade Oz. Gold per ton	Tons	Grade Oz. Gold Per ton	Tons	Grade Oz. Gold per ton
<b>Giant:</b>												
Active Stopes .....	790	0.28	460	0.36	609	0.34	1,137	0.33	1,453	0.33	886	0.35
Pillars .....	—	—	—	—	—	—	—	—	—	—	17	0.65
Other Developed Ore ..	135	0.29	283	0.30	406	0.36	260	0.33	266	0.32	88	0.45
Open Pits .....	248	0.23	202	0.32	412	0.28	352	0.30	453	0.30	—	—
Total Giant .....	1,173	0.27	945	0.33	1,427	0.33	1,749	0.32	2,172	0.32	991	0.36
<b>Lolor:</b>												
Active Stopes .....	16	0.25	18	0.39	22	0.39	76	0.34	94	0.32	94	0.37
Pillars .....	—	—	—	—	—	—	—	—	—	—	—	—
Other Developed Ore ..	—	—	—	—	—	—	—	—	—	—	—	—
Total Lolor .....	16	0.25	18	0.39	22	0.39	76	0.34	94	0.32	94	0.37
<b>Supercrest:</b>												
Active Stopes .....	15	0.39	29	0.44	56	0.47	125	0.46	134	0.47	88	0.62
Pillars .....	—	—	—	—	—	—	—	—	—	—	—	—
Other Developed Ore ..	12	0.35	12	0.35	—	—	—	—	—	—	—	—
Total Supercrest .....	27	0.37	41	0.41	56	0.47	125	0.46	134	0.47	88	0.62
<b>Total developed ore at year</b>												
<b>end .....</b>	<u>1,216</u>	<u>0.27</u>	<u>1,004</u>	<u>0.34</u>	<u>1,505</u>	<u>0.34</u>	<u>1,950</u>	<u>0.33</u>	<u>2,400</u>	<u>0.33</u>	<u>1,173</u>	<u>0.38</u>



not encounter gold values. Additional holes are required to complete deep cross-sectioning of the property from this level. In the A shaft area, three long holes were drilled down from the 575-foot level. Two of these holes cut sheared greenstones containing up to 60% quartz veining that will require follow-up drilling.

A down hole drilling program from the 1,500-foot level, started in 1977, was moderately successful in outlining a zone up to 15 feet wide with a potential for about 22,000 tons.

## OPERATING COSTS AND CAPITAL EXPENDITURES

Consolidated operating costs before amortization increased from \$12,908,000 or \$28.94 per ton in 1977 to \$15,963,000 or \$40.24 per ton in 1978. Overall costs were up because of the greater proportion of underground production, stepped-up drilling, development and exploration work in response to the higher gold price, more plant and equipment maintenance, and increased environmental work. Significant price increases for power, oil and supplies, and a new labour contract, also added to expenditures.

Capital expenditures were \$437,000, a decrease of \$141,000 from 1977. The major expenditures were for production improvements in the underground, pit and mill areas; electrical conservation; environmental purposes and for safety and health.

## SUMMARY OF 1978 RESULTS BY QUARTERS

The following is a consolidated statement of earnings for each quarter of 1978.

OPERATING RECORD	Three Months Ended				Total
	March 31	June 30	Sept. 30	Dec. 31	
Ore milled, tons .....	97,867	93,515	105,710	99,565	396,657
Average per day, tons .....	1,087	1,028	1,149	1,082	1,087
Average millheads per ton .....	0.266	0.322	0.249	0.250	0.271
Gold recovered, ounces .....	23,270	27,003	23,334	21,806	95,413
Silver recovered, ounces .....	6,226	8,223	5,289	5,040	24,778
STATEMENT OF EARNINGS (000 omitted)					
Revenue from metal production (less marketing charges) ..	\$ 4,883	\$ 5,563	\$ 6,015	\$ 5,722	\$ 22,183
Operating and administrative expenses .....	3,651	3,711	3,941	4,660	15,963
Operating income .....	1,232	1,852	2,074	1,062	6,220
Depreciation and amortization .....	219	211	232	62	724
Exploration expenses .....	73	201	253	133	660
	292	412	485	195	1,384
	940	1,440	1,589	867	4,836
Non-operating revenue .....	128	125	158	216	627
	1,068	1,565	1,747	1,083	5,463
Income taxes .....	331	451	500	250	1,532
	737	1,114	1,247	833	3,931
Minority interest in earnings of subsidiary companies .....	52	34	33	81	200
Earnings for the period .....	\$ 685	\$ 1,080	\$ 1,214	\$ 752	\$ 3,731
Earnings per share .....	\$ .16	\$ .25	\$ .28	\$ .18	\$ .87
Average price per ounce of gold produced .....	\$ 210	\$ 206	\$ 258	\$ 263	\$ 233

Note: (1) Revenue from metal production at December 31, 1978 includes unsold gold.

—ounces..... 10,050  
—valuation/ounce ..... \$249.00

(2) Canadian/U.S. dollar exchange rate at December 31, 1978 ..... \$1.19



## MINING OPERATIONS

### Giant Mine

Production was 365,000 tons at a grade of 0.262 ounce gold per ton compared with the 393,000 tons at 0.254 ounce gold per ton in 1977. Open pits contributed only 29% of the Giant total, which was a planned reduction from the 47% in 1977 to ensure orderly extraction of both underground and surface reserves. Although production was 8% lower than in 1977, bullion output of 85,049 ounces dropped only 3% because of the improved grade and better recovery. Operating income increased from \$3,363,000 to \$5,475,000, reflecting the higher price received for gold.

Operating costs before amortization were \$38.79 per ton. This was higher than in 1977 because of the greater proportion of underground production relative to open pits, increased development work and more extensive exploration. Unit costs were also adversely affected by extra overburden removal required to develop the new open pit near C shaft and the effect of fixed costs on lower throughput.

Lateral advance totalled 10,214 feet and raising 3,121 feet compared with the 6,643 feet and 1,673 feet respectively in 1977. The diamond drilling total was 85,485 feet (including 17,420 feet on surface) — an increase over the total of 83,000 feet in 1977.

About 593,000 tons were added to the reserves; however with 365,000 tons milled, there was a net increase of 228,000 tons. Grade of the reserve dropped from 0.33 ounce gold per ton to 0.27 ounce gold per ton.

### Lolor Mine

Output at the Lolor Mine was 10,600 tons at a grade of 0.323 ounce gold per ton as compared with 7,600 tons at 0.315 ounce gold per ton in 1977. Production continues to be hampered by lack of working places and a shortage of miners.

Operating costs were \$44.33 per ton versus the \$39.90 per ton achieved in 1977. Although tonnage and bullion output were lower, operating income rose from \$49,000 in 1977 to \$275,000 because of the improved gold price.

Lateral development was 66 feet and raising 131 feet. Two diamond drill holes, totalling 848 feet, were completed for exploratory purposes but nothing of significance was located.

Approximately 8,100 tons have been added to the reserves as a result of the higher gold price. With 10,600 tons mined, reserves on December 31, 1978 were 15,500 tons at 0.25 ounce gold per ton.

### Supercrest Mine

Production was 21,200 tons and, although down from 45,000 tons in 1977, was close to the scheduled tonnage for 1978. Grade of 0.391 ounce gold per ton compared favourably with the 0.409 ounce gold per ton in 1977.

Operating costs rose steeply to \$63.61 per ton as compared with the \$38.04 per ton in 1977. The increase was largely due to a combination of fixed costs on the lower tonnage in 1978, a substantial surface drilling program and work on an extension of a drift from the adjacent Giant property to develop indicated reserves of 10-15,000 tons below present working levels. Operating income of \$471,000 declined from \$978,000 in 1977.

Lateral development was 27 feet and raising 401 feet. The drift being extended from Giant on the 1,500-foot level was advanced 758 feet. Another 4,450 feet is required to reach the area of potential reserve. The surface drilling program included 22 holes for a total of 9,853 feet, all of which



was done about a mile north of present workings. Narrow ore grade intersections were obtained over a strike length of about 500 feet and down to a depth of about 500 feet. Further drilling will be required to confirm grades and to determine whether there is sufficient continuity for mining purposes.

About 7,500 tons were added to Supercrest reserves as a result of the improved gold price. After mining 21,200 tons in 1978, the remaining reserve as of December 31, 1978 was 27,300 tons at 0.37 ounce gold per ton. This does not include the 10-15,000 tons of indicated reserves.

### **Treatment Plant**

Overall gold recovery at 88.75% was 1.02% above the 87.73% of 1977. Flotation recovery improved over 1977 but cyanide extraction declined. Investigation has shown that there are some problems in the roasting section and steps are under way to correct this.

### **Environmental Control**

Changes in baghouse operating techniques initiated in 1977 were continued and provided a gratifying reduction in stack emissions.

A comprehensive report and assessment was completed on a study jointly carried out by Environment Canada and Giant Yellowknife in 1977 to investigate techniques for improving the quality of effluents. It would appear that the technology studied does not offer the best practicable solution for treating of Giant Yellowknife's effluents. Further studies are being undertaken by the Corporation on its own initiative to develop better methods of treatment.

In order to satisfy requirements of a Water Board Licence issued during 1978, considerable effort was made to reduce consumption of fresh water. An attempt to reuse mine water in the flotation section resulted in lower recoveries and higher reagent consumption. Another possible reuse for mine water will be investigated in 1979.

Significant progress was made during the year on better protection of the few workers exposed to possible contamination from arsenic dust. Changes included monthly monitoring of dust conditions in the roaster, cottrell and baghouse work areas; provision of all enclosing dust suits with filtered air supply for use in inspection and maintenance of equipment; a change in operating procedure to reduce the frequency of mechanical maintenance required, and provision of a pressurized lunch room. These steps were recognized in a favourable report received from Government inspectors.

## **EXPLORATION**

Expenditures on exploration in the mine area and on outside properties increased from \$341,000 in 1977 to \$660,000. The emphasis in 1978 was on gold in the mine area and precious metals and uranium elsewhere.

### **Mine Area**

Drilling continued on the Lynx property and 11 holes were completed for a total of 2,570 feet. This work was done in conjunction with surface drilling on the adjacent Supercrest ground north of the Akaitcho fault. Ore values over narrow widths were encountered in some holes in three separate areas. Follow-up drilling will be required to further assess the property.

Drilling and geological work was also done on adjacent Northbelt claims and four holes were completed for a total of 2,174 feet. Favourable schistose rocks were encountered that will require additional drilling. Geological mapping continued and investigations were made of geophysical anomalies detected in earlier work. Two of the anomalies will require follow-up work in 1979.



Three drill holes, totalling 1,376 feet, were drilled 10 miles south of Yellowknife on an optioned property to further test an I.P. anomaly previously located. Results were negative and the option has been dropped.

### **Outside Exploration**

In 1978, expenditures for outside exploration were \$414,400 compared with \$136,000 in 1977. The tempo of mineral exploration picked up in response to more favourable earnings and improvements in price for uranium and gold.

At the Vangorda property in the Yukon, four holes were drilled on geophysical anomalies with negative results. Further prospecting and geochemical sampling were done on the Yumack Syndicate ground in the Yukon. No base metal sulphides were located but some anomalous geochemical results were obtained that will be investigated further in 1979.

The Corporation entered a joint venture program with Falconbridge Nickel Mines Limited and United Keno Hill Mines Limited to explore for base metals in the southern part of Newfoundland. Airborne geophysical work was supplemented with ground follow-up that included geophysics, geology, soil sampling and trench resampling. Field work is under the direction of Falconbridge Nickel Mines Limited and further activity is planned for 1979.

Three projects involved uranium searches. One, west of Yellowknife along the edge of the Precambrian Shield, was made in partnership and included airborne geophysics followed by geological reconnaissance, prospecting, lake sediment sampling, rock sampling and ground investigation of the airborne data. Results were not encouraging and follow-up work is doubtful. An intrusive having the characteristics of a carbonatite was explored for uranium about 340 miles southeast of Yellowknife. Work included radiometric and magnetic surveys and geological mapping. Nothing of significance was found and no further work is contemplated. The third investigation for uranium was on the Ellice Sandstone about 350 miles north of Yellowknife. Geological and geophysical programs at the site offered encouragement and further work will be done in 1979.

A gold property owned by Giant Yellowknife Mines about 200 miles north of Yellowknife was re-examined. The property was mapped and resampled and, although assay results were low, further assessment of the claims will be undertaken. The Clermont base metal property in Quebec was held in abeyance.

The Corporation received 22 property offerings during the year, and of these, four were accepted and four are still under active consideration. Among the offerings were two gold prospects that will be worked on in 1979.

### **SUDBURY BASIN DIVISION**

During 1978 a start was made on a re-evaluation of mineral reserves at the Sudbury Basin lead-zinc property to determine whether there are any portions of the deposit that could be mined and treated at prevailing metal prices.

Preliminary results show some zones that may be treatable with present technology; however, metallurgical test work will be required to determine whether recoveries would be sufficiently high to make them economically viable. At present none of these zones can be classified as ore.

As the shaft workings are flooded, a metallurgical test would require expensive de-watering or large diameter diamond drilling to obtain an appropriate sample. A decision on whether to undertake a metallurgical test will be made after completion of the mineral inventory study.



## GENERAL

Labour turnover dropped from 124% in 1977 to 106% in 1978. The number of employees at year end was 338 compared with 320 at the same time in 1977.

A new two-year collective agreement, effective April 1, 1978, was signed by the Corporation and the Canadian Association of Smelter and Allied Workers, Local #4. Terms of the agreement provide the employees with an increase of 8.1% in wages and fringe benefits in the first year and 6.7% in the second year.

## ACKNOWLEDGEMENTS

The Directors wish to express their appreciation for the efficient services of Mr. W. A. Moore, General Manager, and all employees for their strong efforts during 1978. Particular recognition is made of the improvement in roaster emissions and in the ore reserve position.

It is with deep regret that the Directors record the death of Mr. A. C. Callow in January, 1979. Mr. Callow, who had been a Director since 1969, also served with distinction as Secretary of the Corporation for 32 years until his retirement in 1975. His interest in the affairs of the Corporation and the well-being of its employees will be greatly missed.

On behalf of the Board,

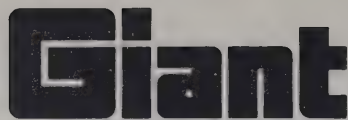
D. J. EMERY  
President and Managing Director

Toronto, Ontario,  
February 26, 1979.

The shares of the Corporation are listed and traded on the Toronto and American Stock Exchanges, the latter being the principal market. The sale prices and dividends paid for the following quarterly periods are as tabulated below.

				Dividends Paid per Share in Canadian Funds					Dividends Paid per Share in Canadian Funds
		1978					1977		
		High	Low				High	Low	
March	31	U.S.\$13⅞	U.S.\$9¾	10 cents	March	31	U.S.\$8¾	U.S.\$6¼	— cents
June	30	11⅞	9⅞	10 cents	June	30	7¾	5½	— cents
September	30	14⅞	11⅞	10 cents	September	30	8⅞	5⅞	— cents
December	31	13¾	7¾	20 cents	December	31	9½	7½	15 cents





YELLOWKNIFE MINES LIMITED

(Incorporated under the laws of Ontario)  
and its subsidiary companies

## CONSOLIDATED BALANCE SHEET AS

### ASSETS

CURRENT ASSETS	1978	1977
Cash and short term bank deposits .....	\$ 6,648,327	\$ 5,976,770
Marketable securities at cost, which approximates market .....	2,507,500	
Bullion (note 2) .....	2,974,756	3,336,870
Accounts and accrued interest receivable .....	174,805	180,545
Supplies .....	1,400,545	1,324,960
Prepaid expenses and deposits .....	37,907	63,087
	<u>13,743,840</u>	<u>10,882,232</u>
 FIXED ASSETS		
Buildings, machinery and equipment, at cost .....	18,316,725	17,904,580
Less accumulated depreciation .....	<u>16,942,229</u>	<u>16,492,477</u>
	1,374,496	1,412,103
Mining claims and properties, at cost less depletion .....	542,137	542,137
	<u>1,916,633</u>	<u>1,954,240</u>
 OTHER ASSETS		
Shares in and advances to other mining companies, at cost less amount written off .....	147,221	146,333
Deferred charges, less amortization .....		<u>265,683</u>
	<u>147,221</u>	<u>412,016</u>
	<u>\$ 15,807,694</u>	<u>\$ 13,248,488</u>

### AUDITORS' REPORT

To the Shareholders of  
GIANT YELLOWKNIFE MINES LIMITED

We have examined the consolidated balance sheet of Giant Yellowknife Mines Limited as at December 31, 1978 and 1977 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and 1977 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada  
January 25, 1979

THORNE RIDDELL & CO.  
Chartered Accountants



# AT DECEMBER 31, 1978 AND 1977

## LIABILITIES

CURRENT LIABILITIES	1978	1977
Accounts payable and accrued liabilities .....	\$ 1,606,149	\$ 1,150,096
Income taxes payable .....	1,170,547	778,345
Government royalties payable .....	213,464	115,466
	<u>2,990,160</u>	<u>2,043,907</u>
MINORITY INTEREST		
Interest of minority shareholders in subsidiary companies .....	<u>571,471</u>	<u>538,179</u>

## SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 4,500,000 shares without par value		
Issued — 4,303,050 shares .....	5,700,000	5,700,000
CONTRIBUTED SURPLUS .....	2,637,276	2,637,276
RETAINED EARNINGS .....	3,908,787	2,329,126
	<u>12,246,063</u>	<u>10,666,402</u>
Approved by the Board		
D. J. EMERY, Director		
J. D. STREIT, Director		
	<u>\$ 15,807,694</u>	<u>\$ 13,248,488</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 1978 AND 1977

#### 1. ACCOUNTING POLICIES

The financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied. For the purposes of these statements, there are no differences between Canadian accounting principles and those applied in the U.S.A. The following is a summary of certain significant accounting policies used in the preparation of these statements:

- The consolidated financial statements include the accounts of Lolor Mines Limited, in which 87½% of the common shares are held, and Supercrest Mines Limited, in which 50% (332,506 common shares) of the 665,010 common shares are held.
- Bullion is valued at estimated net realizable value and revenue is reflected in the statement of income on completion of production. Supplies are valued at the lower of cost and replacement cost.
- Buildings, machinery and equipment are stated at acquisition cost. Repairs and maintenance are charged to operations and betterments and replacements are capitalized. Upon sale or retirement, the cost of the assets and the related accumulated depreciation are removed from the accounts and any gains or losses thereon are taken into earnings.
- Depreciation of buildings, machinery and equipment is provided on the units of production method to amortize the cost over the mine life based on estimated ore reserves.  
Depletion has fully amortized the cost of the Yellowknife mining claims. The unamortized balance relates to non-producing Sudbury Basin land and mining claims and land in the Town of Yellowknife.
- Exploration expenses are charged against current earnings as incurred.

#### 2. BULLION

The estimated net realizable value of bullion on hand has been determined at December 31, 1978 using a value for gold of Cdn. \$249.00 per ounce (1977, Cdn. \$174.00 per ounce).

#### 3. RETIREMENT PLANS

The company maintains retirement plans for its employees. The total expense of these plans was \$279,837 for 1978 and \$372,947 for 1977, including past service costs of \$111,342 for 1978 and \$196,593 for 1977. Based on the most recent actuarial evaluations, the present value of past service costs not yet funded was approximately \$392,000 at December 31, 1978 and \$565,000 at December 31, 1977 (assuming employees remain with the company until retirement).  
While the company has no legal liability for the past service costs, it is its present intention to fund and charge the costs to income over periods of up to 11 years.

#### 4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers, as defined by The Business Corporations Act of Ontario, amounted to \$204,197 for 1978 and \$208,864 for 1977.

#### 5. ANTI-INFLATION ACT

The company was subject to mandatory compliance with the Anti-Inflation Act. The provisions covering employee compensation and shareholder dividends were phased out at various times during 1978 and those covering prices and profit margins expired at December 31, 1978. Management is of the opinion that the company was in compliance with the requirements of the Anti-Inflation legislation.



## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31, 1978 and 1977

	1978	1977
BALANCE AT BEGINNING OF YEAR .....	\$ 2,329,126	\$ 523,355
Net income .....	3,731,186	2,451,229
	6,060,312	2,974,584
Deduct dividends paid — 50¢ per share (15¢ in 1977) .....	2,151,525	645,458
BALANCE AT END OF YEAR .....	<u>\$ 3,908,787</u>	<u>\$ 2,329,126</u>

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1978 and 1977

	1978	1977
WORKING CAPITAL DERIVED FROM		
Operations.....	<u>\$ 4,654,578</u>	<u>\$ 3,679,892</u>
WORKING CAPITAL APPLIED TO		
Dividends paid .....	2,151,525	645,458
Additions to fixed assets .....	420,558	577,676
Dividends to minority shareholders of subsidiary companies .....	166,252	166,252
Other.....	888	(20,888)
	<u>2,739,223</u>	<u>1,368,498</u>
INCREASE IN WORKING CAPITAL .....	1,915,355	2,311,394
WORKING CAPITAL AT BEGINNING OF YEAR .....	8,838,325	6,526,931
WORKING CAPITAL AT END OF YEAR .....	<u>\$ 10,753,680</u>	<u>\$ 8,838,325</u>



# CONSOLIDATED STATEMENT OF INCOME

Years ended December 31, 1978 and 1977

	1978	1977
<b>REVENUE</b>		
Gold and silver production .....	\$ 22,362,392	\$ 17,496,055
Deduct marketing expenses .....	179,069	197,398
	<u>22,183,323</u>	<u>17,298,657</u>
<b>EXPENSES</b>		
Operating expenses .....	15,435,699	12,434,725
Government of Canada royalty .....	210,300	113,704
Administrative and corporate expenses .....	316,956	359,544
	<u>15,962,955</u>	<u>12,907,973</u>
Operating income before the undernoted items .....	6,220,368	4,390,684
Depreciation .....	458,165	605,186
Amortization of deferred charges .....	265,683	282,600
Exploration expenses .....	660,643	340,431
	<u>1,384,491</u>	<u>1,228,217</u>
Operating profit .....	4,835,877	3,162,467
Income from investments .....	626,853	468,025
	<u>5,462,730</u>	<u>3,630,492</u>
Income taxes .....	1,532,000	838,386
	<u>3,930,730</u>	<u>2,792,106</u>
Minority interest in net income of subsidiary companies .....	199,544	340,877
<b>NET INCOME</b> .....	<u><u>\$ 3,731,186</u></u>	<u><u>\$ 2,451,229</u></u>
 <b>EARNINGS PER SHARE</b> .....	 \$ .87	 \$ .57





YELLOWKNIFE MINES LIMITED

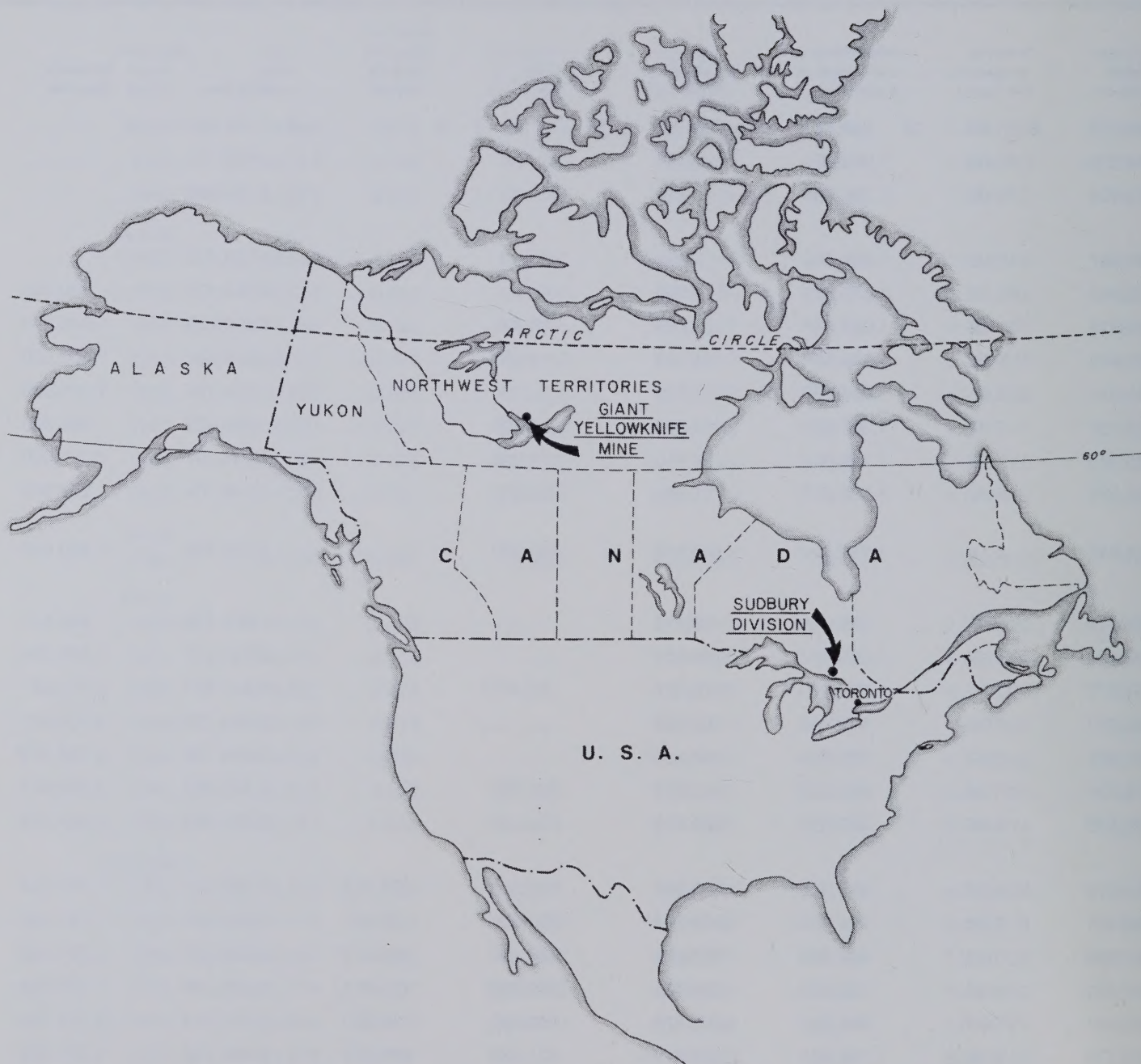
# COMPARATIVE STATEMENT OF

Fiscal Year Ended May 31	Ore Milled Tons	Calculated Mill Heads Oz. gold Per Ton	Estimated E.G.M.A. Assistance	Net Value of Metals Recovered	Average Price Per Ounce of Gold	Operating Cost	Operating Cost Per Ton
1949	84,886	0.815	\$ 511,020	\$ 1,962,340	\$ 35.00	\$ 1,467,133	\$ 17.28
1950	126,214	0.708	354,326	2,986,457	37.46	1,826,453	14.47
1951	151,814	0.842	267,874	4,158,038	37.35	1,997,073	13.15
June 30							
1952	165,846	0.755	615,000	3,854,137	35.79	2,658,570	16.03
1953	245,559	0.846	680,000	6,012,389	34.20	3,561,546	14.51
1954	275,985	0.785	965,000	6,045,327	34.26	3,704,451	13.42
1955	286,742	0.761	700,000	5,876,857	34.16	3,912,978	13.65
1956	297,582	0.765	120,000	6,235,926	34.76	4,284,385	14.40
1957	309,673	0.795	105,000	6,396,699	33.75	4,234,517	13.67
1958	289,220	0.795	340,000	5,331,448	33.85	3,872,120	13.39
1959	321,002	0.784	280,000	6,397,770	33.81	4,048,047	12.61
June 29							
1960	361,601	0.784	13,687	7,649,230	33.50	4,338,972	12.00
Dec. 31							
1960	181,101	0.795	.....	4,080,679	34.63	2,529,960	13.96
1961	366,515	0.779	.....	8,507,473	35.73	4,755,387	12.97
1962	375,820	0.763	.....	9,445,300	37.56	4,743,728	12.62
1963	388,190	0.713	.....	9,254,173	37.76	4,758,936	12.26
1964	400,606	0.745	.....	10,120,070	37.62	4,789,045	11.95
1965	395,001	0.722	.....	9,565,401	37.68	5,087,109	12.88
1966	384,271	0.652	.....	8,517,823	37.99	5,191,314	13.51
Consolidated							
1967	319,876	0.670	.....	7,204,874	37.99	4,990,864	15.60
1968	374,717	0.634	265,000	8,739,180	41.60	6,005,179	16.03
1969	399,647	0.640	427,000	9,824,021	42.78	7,289,123	18.24
1970	424,774	0.607	1,059,000	8,328,261	36.47	7,483,992	17.62
1971	403,819	0.621	783,000	8,350,188	38.47	7,609,781	18.84
1972	401,272	0.561	.....	11,990,328	59.87	8,506,758	21.20
1973	389,460	0.459	.....	17,054,358	108	9,298,649	23.88
1974	328,099	0.355	.....	16,382,316	162	11,120,874	33.90
1975	391,969	0.286	.....	15,377,970	157	13,059,200	33.32
1976	428,154	0.281	.....	12,991,075	122	12,183,586	28.46
1977	446,192	0.271	.....	17,298,657	164	12,907,973	28.93
1978	396,657	0.271	.....	22,183,323	233	15,962,955	40.24
	<u>10,112,264</u>	<u>0.625</u>	<u>\$7,485,907</u>	<u>\$278,122,088</u>	<u>\$ 51.85</u>	<u>\$188,180,658</u>	<u>\$ 18.61</u>

# RODUCTION AND EARNINGS

Operating Income	Operating Income Per Ton	Amortization and Outside Exploration	Non- Operating Income	Income Tax	Minority Interest	Net Income	Dividends Declared
1,006,227	\$ 11.85	\$ 859,567	\$ 6,790	\$ .....	\$ .....	\$ 153,450	\$ .....
1,514,330	12.00	1,039,854	5,237	.....	.....	479,713	.....
2,428,839	16.00	1,254,505	6,334	.....	.....	1,180,668	.....
1,810,567	10.92	1,659,109	7,981	.....	.....	159,439	.....
3,130,843	12.75	1,673,329	4,906	.....	.....	1,462,420	800,000
3,305,876	11.98	1,854,444	22,793	12,000	.....	1,462,225	1,600,000
2,663,879	9.29	1,738,576	14,728	4,000	.....	936,031	1,400,000
2,071,541	6.96	1,354,636	71,219	.....	.....	788,124	1,200,000
2,267,182	7.32	1,355,458	51,901	4,000	.....	959,625	600,000
1,799,328	6.22	1,118,946	59,919	4,000	.....	736,301	1,200,000
2,629,723	8.19	1,096,477	51,060	85,000	.....	1,499,306	1,200,000
3,323,945	9.19	1,243,404	103,858	490,000	.....	1,694,399	1,800,000
1,550,719	8.56	829,368	86,158	.....	.....	807,509	860,541
3,752,086	10.24	1,579,897	160,058	.....	.....	2,332,247	1,936,290
4,701,572	12.51	1,029,749	245,321	(30,477)	.....	3,947,621	3,012,027
4,495,237	11.58	879,752	308,635	.....	.....	3,924,120	4,302,903
5,331,025	13.31	855,679	332,850	.....	.....	4,808,196	4,302,910
4,478,292	11.34	802,319	449,827	580,000	.....	3,545,800	4,302,917
3,326,509	8.65	979,060	308,537	620,000	.....	2,035,986	2,581,752
2,214,010	6.92	948,305	363,849	300,000	(38,458)	1,368,012	1,721,167
2,999,001	8.00	721,400	358,715	720,000	12,267	1,904,049	1,721,168
2,961,898	7.41	837,589	355,624	645,300	(65,372)	1,900,005	1,721,168
1,903,269	4.48	728,703	396,451	266,700	(30,951)	1,335,268	1,721,168
1,523,407	3.77	965,039	302,475	53,000	45,930	761,913	1,721,168
3,483,570	8.68	1,148,922	257,777	621,000	502,039	1,469,386	1,721,168
7,755,709	19.91	986,013	642,789	2,412,000	729,017	4,271,468	2,581,753
5,261,442	16.04	808,239	847,235	1,635,000	786,679	2,878,759	2,151,461
2,318,770	5.92	2,049,556	689,737	394,000	259,594	305,357	1,721,168
807,489	1.89	1,232,972	432,353	99,279	93,748	(186,157)	430,292
4,390,684	9.84	1,228,217	468,025	838,386	340,877	2,451,229	645,458
6,220,368	15.68	1,384,491	626,853	1,532,000	199,544	3,731,186	2,151,525
97,427,337	\$ 9.63	\$ 36,243,575	\$ 8,039,995	\$ 11,285,188	\$ 2,834,914	\$ 55,103,655	\$ 51,108,004





**LOCATION OF GIANT YELLOWKNIFE MINE**

### **MINE OPERATING OFFICIALS**

As of January 1, 1979

W. A. MOORE ..... General Manager  
G. A. AALTONEN ..... Assistant to General Manager  
R. RUCKER ..... Mine Superintendent  
K. S. MORTON ..... Mill Superintendent  
R. W. SPENCE ..... Exploration Superintendent  
H. B. BYE ..... Master Mechanic  
B. BERGERSEN ..... Chief Electrician  
A. YOUNG ..... Construction Foreman  
Z. J. KOWAL ..... Chief Engineer  
W. MEYER ..... Chief Geologist  
A. A. INCH ..... Mine Geologist  
W. J. WALSH ..... Chief Accountant  
J. W. McKAY ..... Purchasing Agent  
R. D. KAPICKI ..... Personnel Supervisor  
G. C. PUECH ..... Chief Safety Officer



